

VZCZCXRO2724
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #5646/01 2710807
ZNR UUUUU ZZH
P 280807Z SEP 06
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 6884
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUEHNH/AMCONSUL NAHA 0793
RUEHFK/AMCONSUL FUKUOKA 8244
RUEHOK/AMCONSUL OSAKA KOBE 1607
RUEHNAG/AMCONSUL NAGOYA 7968
RUEHKSO/AMCONSUL SAPPORO 9326
RUEHBJ/AMEMBASSY BEIJING 4353
RUEHUL/AMEMBASSY SEOUL 0476
RUCNDT/USMISSION USUN NEW YORK 2083

UNCLAS SECTION 01 OF 10 TOKYO 005646

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)
SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 09/28/06

INDEX:

- (1) Poll on Abe cabinet, political parties, educational reform, foreign relations
- (2) Japanese, ROK leaders willing to meet at early date, agree in first telephone dialogue to arrange a summit
- (3) Who will lead management of Council on Economic and Fiscal Policy?
- (4) Interview with Finance Minister Koji Omi: Discussion of consumption tax to be started next fall or later
- (5) Abe in power as Japan's new premier: Security pact a deed of apologies; Where will the Constitution go...
- (6) Who will lead management of Council on Economic and Fiscal Policy?

ARTICLES:

- (1) Poll on Abe cabinet, political parties, educational reform, foreign relations

ASAHI (Page 4) (Full)
September 28, 2006

Questions & Answers
(Figures shown in %age, rounded off. Bracketed figures denote

proportions to all respondents. Parentheses denote the results of a survey conducted Sept. 20-21.)

Q: Do you support the Abe cabinet?

Yes	63
No	18

Q: Why? (One reason only. Left column for those marking "yes" on previous question, and right for those saying "no.")

The prime minister is Mr. Abe	24(15)	6(1)
It's an LDP-led cabinet	17(11)	31(6)
From the aspect of policies	28(18)	47(9)
No particular reason	27(17)	15(3)

Q: Which political party do you support now?

Liberal Democratic Party (LDP)	39	(38)
Democratic Party of Japan (DPJ or Minshuto)	14	(14)
New Komeito (NK)	3	(3)
Japanese Communist Party (JCP)	2	(2)
Social Democratic Party (SDP or Shaminto)	1	(1)
People's New Party (PNP or Kokumin Shinto)	0	(0)
New Party Nippon (NPN or Shinto Nippon)	0	(0)
Liberal League (LL or Jiyu Rengo)	0	(0)
None	35	(35)
No answer (N/A) + don't know (D/K)	6	(7)

Q: Do you think the Abe cabinet's lineup is fresh?

Yes	35
No	38

TOKYO 00005646 002 OF 010

Q: Do you think the Abe cabinet is a strong one?

Yes	23
No	34

Q: What would you like Prime Minister Abe and his administration to pursue first? (One choice only)

Economic, employment measures	17
Pension, welfare reforms	43
Fiscal reconstruction	15
Constitutional revision	2
Educational reform	11
Asia diplomacy	8

Q: What do you think is better to do about revising the Fundamentals of Education Law? (One choice only)

Revise the law in the current Diet session	21
Continue discussion without sticking to the current Diet session	66
No need to revise the law	6

Q: Would you like Prime Minister Abe to make positive efforts to improve Japan's relations with China and South Korea?

Yes	83
No	10

Q: Prime Minister Abe has yet to show his view of history about the past war. Do you support such a stance?

Yes	24
No	52

Q: Do you think the economy will improve under the new cabinet?

Yes 29
No 48

Q: Which political party between the LDP and the DPJ would you like to win in next summer's election for the House of Councillors?

LDP 47
DPJ 36

Polling methodology: The survey was conducted Sept. 26-27 across the nation over the telephone on a computer-aided random digit dialing (RDD) basis. Respondents were chosen from among the nation's voting population on a three-stage random-sampling basis. Valid answers were obtained from 996 persons (57%).

(2) Japanese, ROK leaders willing to meet at early date, agree in first telephone dialogue to arrange a summit

NIHON KEIZAI (Page 1) (Full)
Eve., September 28, 2006

Prime Minister Shinzo Abe this morning had a 20-minute telephone

TOKYO 00005646 003 OF 010

dialogue with South Korean President Roh Moo Hyun. Abe played up his position this way: "Looking at peace and prosperity in Asia from a broad perspective, I hope to strengthen future-oriented relations." Abe said to Roh, "I'm looking forward to seeing you shortly." Roh indicated his willingness to have a summit at an early date, telling Abe: "I quite agree. I hope to see bilateral relations make great strides."

On Sept. 26, Roh sent Abe a congratulatory message on his inauguration as prime minister. In return for that, Abe telephoned Roh. Abe told Roh: "President Roh became the president representing the young generation. I am the first prewar born prime minister, and as the first such prime minister, I want to build future-oriented relations."

According to an account by the South Korean side, the two leaders agreed to meet as soon as possible and at an appropriate time. Working-level officials from the two countries will now work to arrange a summit meeting. Roh also pointed out, "The important thing for the stable development of relations between South Korea and Japan is for both sides to trust and respect each other." He thus indirectly urged Japan to resolve such issues as visits to Yasukuni Shrine.

There was no mention in the telephone conversation of when to hold a summit, but apparently, both sides have in mind the upcoming Asia-Pacific Economic Cooperation (APEC) forum in Vietnam in November as one possible venue for a summit.

No summit has been held between Japan and South Korea since last November. At a press conference this morning, Chief Cabinet Secretary Yasuhisa Shiozaki referred to the possibility of holding a

SIPDIS
summit on the sidelines of the APEC forum and stated: "Bearing that possibility also in mind, both sides will likely move to (hold) a summit as soon as possible."

(3) Who will lead management of Council on Economic and Fiscal Policy?

YOMIURI (Page 9) (Slightly abridged)
September 28, 2006

In an effort to bring about high economic growth in an age of dwindling population, the Abe administration has come up with the policy of accelerating the previous Koizumi administration's structural reforms. To attain this goal, the new administration plans to make use of the Council on Economic and Fiscal Policy, like the Koizumi administration did. But the ability of State Minister in Charge of Economic and Fiscal Policy Hiroko Ota as the person charged with managing the panel remains unknown. In addition,

opposition to specific reform plans may come from within the ruling bloc, with an eye on next summer's House of Councillors election. Prime Minister Abe has made arrangements to strengthen the Kantei's functions. Whether the Kantei can demonstrate leadership is likely to be the key to a continuation of the Koizumi reform line.

In an interview with the Yomiuri Shimbun and other newspaper companies yesterday, Ota emphasized her determination to push ahead with the structural reform line as the "engine" of the council. She said: "I interpret the prime minister's offer for this cabinet post as a message urging me to take over the good aspect of the Council on Economic and Fiscal Policy." She added:

TOKYO 00005646 004 OF 010

"I am determined to make the panel into a forum where private-sector members lead discussion based on their fresh ideas and the policymaking process is disclosed to the public."

Former State Minister in Charge of Economic and Fiscal Policy Heizo Takenaka asked his old friend, Professor Ota at the Graduate School at the National Graduate Institute for Policy Studies, to join the Cabinet Office. She joined the office in April 2002 and served as director general during the period April 2004 to August 2005.

Although she has been noted for her policy-planning capability, it remains to be seen if she can display leadership in dealing with other key cabinet ministers and bureaucrats.

Ota will receive the backing of a Kantei team set up after Abe modeled after the set up in the White House of the United States government.

Abe has appointed five advisers for each specific policy, and five officials recruited from government agencies have been placed under the five advisers as their secretaries. Advisers used to be tasked mainly with offering advice to the prime minister, but Abe regards the post as equivalent to deputy chief cabinet secretary and intends to have them take part in key policy planning.

In particular, the combination of advisor Takumi Nemoto and secretary Yoichi Takahashi has drawn attention.

SIPDIS

Nemoto is a member of a policy group set up by Abe, Chief Cabinet Secretary Yasuhisa Shiozaki and himself. In the group, he has been

SIPDIS

labeled as a brain trustee. Takahashi was a close aide to Takenaka and served as counselor at the Cabinet Office, the Postal Privatization Preparation Office, and the Internal Affairs and Communications Ministry. A senior official of the Cabinet Office said: "Prime Minister Abe might be preparing to promote the structural reform line while coordinating views with government agencies and the Liberal Democratic Party."

The Kantei team includes Deputy Chief Cabinet Secretary Junzo Matoba, who was an advisor to the Daiwa Institute of Research, and bureaucrats assigned to a special assignment office. Attention is also being focused on what duty they will be assigned in the future.

Four private-sector members of the Council on Economic and Fiscal Policy have revealed their intention to step down. The future of the panel will also be affected by who will take their places. Many observers see it certain for Japan Business Federation (Nikkeiren) Chairman Fujio Mitarai to replace Nikkeiren Honorable Chairman Hiroshi Okuda.

After Kaoru Yosano assumed the post of state minister in charge of economic and fiscal policy as successor to Takenaka, the ruling parties began to influence important policy decisions in the panel more frequently.

Some anticipate an uphill battle in the unified local elections

scheduled for next spring and the House of Councillors election for next summer. Keeping such voices in mind, Ruling party members who stressed the need for continued reform line have begun to change their posture, and fierce opposition is expected to come from such officials to reform plans that will bring pain on the public, such as reforms of the social security system, the tax system, and local

TOKYO 00005646 005 OF 010

finances. The reinforced Kantei team will be now tested on its management of the Council on Economic and Fiscal Policy.

(4) Interview with Finance Minister Koji Omi: Discussion of consumption tax to be started next fall or later

NIHON KEIZAI (Page 5) (Full)
September 28, 2006

-- What is your basic policy for fiscal management?

"There can be no fiscal reconstruction without economic growth. I will reform the economy and state finances while keeping a balance. A fairly strict cap was placed on guidelines for budget appropriation requests this summer. I will do my utmost to eliminate wasteful expenditures in the run up to year-end budget compilation."

-- When do you intend to start discussion on reform of the tax system, including a hike in the consumption tax?

"It is premature to discuss the margin of a hike in the consumption tax. We will start looking into concrete issues from fall, after nailing down the fiscal 2007 budget, the settlement of the account for fiscal 2006 and social welfare expenses."

-- Do you want to convert the consumption tax into a social welfare purpose tax?

"Social welfare is not the only area that needs money. We have measures on the declining birthrate, which also need money. Limiting the use of revenues from the consumption tax is easier to understand, but this is an issue to be looked into in the future."

-- What about a revision of the depreciation system applied to the corporate tax?

"Foreign countries can reduce the residue value of existing facilities to zero, while Japan keeps 5% of such value in place. The present situation is questionable in terms of ensuring a level playing ground for international competition. I will wait for working-level officials to study this issue."

-- Japan's effective rate of the corporate tax is still high.

"The Tax Bureau's (Finance Ministry) stance of rejecting even the slightest tax cut is not acceptable. If we revitalize the economy and create jobs, tax revenues will increase. I have insisted that there should be no gap with other countries in terms of the tax system. I have become finance minister, but I will not change this stance."

-- What is your view on the maximum rate of the income tax and the inheritance tax?

"We must think about this issue from the perspective of the logics of tax - fairness, justice?and simplicity."

-- There is a plan to finance measures to reduce carbon dioxide emissions with special road construction revenues.

"That is not the reallocation of such revenues but expansion of areas eligible to receive road funds. The policy of the government

TOKYO 00005646 006 OF 010

and the ruling camp on road funds is to use them for more general

purposes. I want to make efforts to obtain understanding from taxpayers for this policy."

-- Will the role of the preferential tax system for equity investment end?

"I have my own idea on that, but it is too early to reveal."

Interview with State Minister in charge of Economic and Fiscal Policy Hiroko Ota; Determined to thoroughly discuss local finances

-- What do you think will become of relations between the Council of Economic and Fiscal Policy (CEFP) and the ruling camp?

"In general, their relationship will not neither be one of confrontation nor one of coordination. A major feature of the CEFP is for private-sector members to generate discussion by making bold proposals. I will retain that feature of the panel."

-- The basic policy guidelines on economic and fiscal management and structural reforms for the fiscal 2006 budget did not include reform of the local allocation tax. What is your view on that?

"Discussion of reform of local finances has fallen short of institutional backing. I would like to pursue thorough discussion on the overall mechanism of local finances."

-- When do you plan to map out a road map for spending reform?

"I must first consult with newly appointed private-sector members. However, a grand plan for spending reform is included in the basic policy guidelines on economic and fiscal management and structural reforms for the fiscal 2006 budget. As such, a challenge in mapping out guidelines for the fiscal 2007 is to bring that forward. Our discussion will focus on that."

-- What will the CEFP discuss until the end of the year?

"The panel will come up with a basic policy for the compilation of the fiscal 2007 budget in November. Growth strategy is the panel's another agenda item. Prime Minister Shinzo Abe has said that he would discuss the tax system next fall or later. The CEFP will also steadily deal with this issue."

-- Prime Minister Abe has said that he would aim for economic growth of 3% in real terms. What do you think of that?

"Regarding economic growth, the higher, the better. However, when we discuss other policies, we will not have 3% growth in mind."

-- Do you intend to have the Bank of Japan (BOJ) continue its easy money policy?

"In my view, that is the issue on which the BOJ decides independently. I hope it will adopt a financial policy consistent with the government policy. The membership of the CEFP includes the BOJ governor. It is good for the panel to discuss economic and fiscal matters. I do not especially feel the need to increase dialogue with the BOJ."

-- What is your perception of the present economic climate? Is the economy increasingly slowing down?

TOKYO 00005646 007 OF 010

"No, it isn't. We must monitor the situation of facilities and stockpiles. Companies are making investment in plants and equipment, while scrapping outmoded facilities. I am not so concerned about the possibility of business activities becoming overheated."

(5) Abe in power as Japan's new premier: Security pact a deed of apologies; Where will the Constitution go...

TOKYO SHIMBUN (Page 31) (Full)
September 27, 2006

"As the president of the Liberal Democratic Party, I will place (amending) the Constitution on the political schedule." With this, Shinzo Abe, who has now become Japan's first postwar-born prime minister, voiced his resolve in his first press conference yesterday evening. The origin of his political stance is described in his best-selling book, *Toward A Beautiful Country*. Abe has pledged to revise the Constitution, reform Japan's educational system, create a society with second chances available for all, resolve the pending issue of Japanese nationals abducted to North Korea, and look into family values. The Tokyo Shimbun picked out some of the words he wrote for his book about these policy challenges and tried to look ahead into the future course of his newly inaugurated cabinet. The first of this series looks into his words about the Constitution of Japan, which he called "a deed of apologies" in his book.

"We desire to occupy an honored place in an international society striving for the preservation of peace, and the banishment of tyranny and slavery, oppression and intolerance for all time from the earth."

Above is a passage excerpted from the preamble to the Constitution. In his book, Abe denounces this passage as "something like 'a deed of apologies' offered from (Japan as) a country defeated in the war to the Allied Powers." Abe also writes: "It's humble, petty wording, which sounds as if to say Japan will do its best to be spoken well of by America and European powers." He asserted that the passage incorporates the United States' strong will that will never again let Japan challenge order centering on the United States and Europe.

Abe also criticizes Article 9, which renounces war, as "lacking something that is necessitated (for Japan) as an independent country." How will the 52-year-old prime minister pave the way for Japan to reform its postwar constitution, while his respected grandfather, former Prime Minister Nobusuke Kishi, could not carry it out?

In September 1977, a tragedy occurred in a residential neighborhood of Yokohama City's Midori Ward. A US military tactical reconnaissance plane that took off from the nearby Atsugi base crashed there. Kazue Doshida, 26 at the time, suffered serious burns all over her body and died four years later. Her 3- and 1-year-old boys, Yuichiro and Yasuhiro, died the next day. Her 81-year-old father, Isamu, still remembers his grandsons dying in their thirst for water and his daughter screaming in the pain of chemical bathing for treatment. "I've never forgotten anything," he recalled.

The crashed US military plane's pilot parachuted out, and the Self-Defense Forces rescued that pilot only. There is still no knowing whether the US military punished those who brought about the accident. "I've done everything I could do over the past 30 years

TOKYO 00005646 008 OF 010

after the accident," Isamu said. He added: "The (Japan-US) security treaty is something that should be intended to protect the Japanese people. However, the crash happened. That's because there is a security treaty. Arms intended to protect people harm people. That's unforgivable."

Another tragedy took place in August 2004. A US military heavy-lift helicopter based at Futenma airfield in Okinawa Prefecture crashed on the neighboring campus of Okinawa International University. Japanese police were not allowed to enter the crash site. Isamu thought to himself that this helo crash was "quite the same as the case in Yokohama."

In his book, Abe insists on strengthening the Japan-US alliance. He recounts, "Japan must heighten the bilateralness of its alliance with the United States, and our voice will increase greatly when we talk about something, including base issues." Meanwhile, Japan and the United States were then talking about the realignment of US forces in Japan, and the US Army revealed a plan to move the command functionality of the 1st Corps' headquarters from the US mainland state of Washington to Camp Zama in Kanagawa Prefecture. In this way, the integration of US military and SDF functions was under way. "If the Japan-US alliance is strengthened, the presence of military

bases in this country's densely populated areas will bring about more tragedies in their neighborhood," says Motomu Maya, 80, who headed a group of plaintiffs that won the case of a third Atsugi base noise class action. Former Prime Minister Junichiro Koizumi sent SDF troops to Iraq. At the time, Koizumi, in his Diet reply, read out another passage of the Constitution's preamble, which Abe called "a deed of apologies," to justify his dispatch of SDF troops to Iraq.

How to keep and create peace?

"They say, 'Even if we imposed sanctions on Iraq, that country wouldn't listen to us. That's why we used armed force,'" Isamu says. "Many Iraqi people died, but in a war, the strong are always justified."

Abe has also claimed to alter the government's view of the right to collective self-defense. The government has taken the position that Japan is not allowed under the Constitution to exercise its right to collective self-defense. Abe has advocated reinterpreting the Constitution in order for Japan to exercise its right to collective self-defense, and Japan has strengthened its alliance with the United States. The question, however, is if the Japanese people will really be protected by doing so. The tragic accident in Yokohama, which has raised such a serious question, marks its 29th anniversary today.

(6) Who will lead management of Council on Economic and Fiscal Policy?

YOMIURI (Page 9) (Slightly abridged)
September 28, 2006

In an effort to bring about high economic growth in an age of dwindling population, the Abe administration has come up with the policy of accelerating the previous Koizumi administration's structural reforms. To attain this goal, the new administration plans to make use of the Council on Economic and Fiscal Policy, like the Koizumi administration did. But the ability of State Minister in Charge of Economic and Fiscal Policy Hiroko Ota as the person

TOKYO 00005646 009 OF 010

charged with managing the panel remains unknown. In addition, opposition to specific reform plans may come from within the ruling bloc, with an eye on next summer's House of Councillors election. Prime Minister Abe has made arrangements to strengthen the Kantei's functions. Whether the Kantei can demonstrate leadership is likely to be the key to a continuation of the Koizumi reform line.

In an interview with the Yomiuri Shimbun and other newspaper companies yesterday, Ota emphasized her determination to push ahead with the structural reform line as the "engine" of the council. She said: "I interpret the prime minister's offer for this cabinet post as a message urging me to take over the good aspect of the Council on Economic and Fiscal Policy." She added:

"I am determined to make the panel into a forum where private-sector members lead discussion based on their fresh ideas and the policymaking process is disclosed to the public."

Former State Minister in Charge of Economic and Fiscal Policy Heizo Takenaka asked his old friend, Professor Ota at the Graduate School at the National Graduate Institute for Policy Studies, to join the Cabinet Office. She joined the office in April 2002 and served as director general during the period April 2004 to August 2005.

Although she has been noted for her policy-planning capability, it remains to be seen if she can display leadership in dealing with other key cabinet ministers and bureaucrats.

Ota will receive the backing of a Kantei team set up after Abe modeled after the set up in the White House of the United States government.

Abe has appointed five advisers for each specific policy, and five officials recruited from government agencies have been placed under

the five advisers as their secretaries. Advisers used to be tasked mainly with offering advice to the prime minister, but Abe regards the post as equivalent to deputy chief cabinet secretary and intends to have them take part in key policy planning.

In particular, the combination of advisor Takumi Nemoto and secretary Yoichi Takahashi has drawn attention.

SIPDIS

Nemoto is a member of a policy group set up by Abe, Chief Cabinet Secretary Yasuhisa Shiozaki and himself. In the group, he has been

SIPDIS

labeled as a brain trustee. Takahashi was a close aide to Takenaka and served as counselor at the Cabinet Office, the Postal Privatization Preparation Office, and the Internal Affairs and Communications Ministry. A senior official of the Cabinet Office said: "Prime Minister Abe might be preparing to promote the structural reform line while coordinating views with government agencies and the Liberal Democratic Party."

The Kantei team includes Deputy Chief Cabinet Secretary Junzo Matoba, who was an advisor to the Daiwa Institute of Research, and bureaucrats assigned to a special assignment office. Attention is also being focused on what duty they will be assigned in the future.

Four private-sector members of the Council on Economic and Fiscal Policy have revealed their intention to step down. The future of the panel will also be affected by who will take their places. Many observers see it certain for Japan Business Federation (Nikkeiren) Chairman Fujio Mitarai to replace Nikkeiren Honorable Chairman

TOKYO 00005646 010 OF 010

Hiroshi Okuda.

After Kaoru Yosano assumed the post of state minister in charge of economic and fiscal policy as successor to Takenaka, the ruling parties began to influence important policy decisions in the panel more frequently.

Some anticipate an uphill battle in the unified local elections scheduled for next spring and the House of Councillors election for next summer. Keeping such voices in mind, Ruling party members who stressed the need for continued reform line have begun to change their posture, and fierce opposition is expected to come from such officials to reform plans that will bring pain on the public, such as reforms of the social security system, the tax system, and local finances. The reinforced Kantei team will be now tested on its management of the Council on Economic and Fiscal Policy.

DONOVAN